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23 November 1960

MEMORANDUM FOR: Comptroller

SUBJECT : Agency Operating Cost Budget
Proposed for Fiscal Year 1962

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1. The Financial Advisory Committee was given an assignment to review the current operating budget requirements and to recommend a format for an operating cost budget for Fiscal Year 1962.

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2. The needs for budgetary data at the various management levels within the Agency were discussed as a basis for establishing official budget requirements. After reviewing the present official requirements for budget information, the Committee concluded that, generally, the types of data being requested were justifiable but that some of the detail could be omitted or revised without hurting the budget document.

3. The present timing of the submission and review of operating and preliminary estimates budgets was thoroughly discussed. The general feeling is that these submissions should be made much earlier than at present and the budget reviews be held in such time as to implement the Director's decisions by 1 July.

4. In the past, each Operating Office submitted its own "over-ceiling" items many of which had not been reviewed and approved by the Deputy Director. To expedite the budget review process, the Committee proposes that "over-ceiling" items be considered within each major component and the Deputy Director submit a component "over-ceiling" fund request.

5. The Committee has developed a proposed format for an operating cost budget that would serve the various management levels. It is believed that the format could be understood better if it were accompanied with a proposed procedure. Although a standard format is recommended for use by all offices, the Committee recognizes that the content could vary and has incorporated provisions for such variances in the recommended procedure. The Committee discussed the organizational level for budgeting requirements and concluded that the Operating Office level (office in the DD/I and DD/S and the staff and division in the DD/P) should be adopted. Any further breakdown of the organizational total should reflect the activity or geographic distribution that would best describe the organizational objectives. The recommended format and procedure for the Operating Cost Budget for Fiscal Year 1962 and the Preliminary Cost Estimates for Fiscal Year 1963 are attached for your consideration.

6. The proposed instructions and procedures for the entire budget process will consist of six sections titled as follows:

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Section I - General Information and Instructions

Section II - Instructions for Preparation of Operating Cost Budget, Preliminary Cost Estimate, and Supplemental Schedules

Section III - Organizational Chart and Functional Statements

Section IV - Instructions for Preparation of Office Estimates

Section V - Supplemental Instructions

Section VI - List of Budget Forms Attached as Exhibits

Section II has been completed by the Comptroller's Financial Advisory Committee and is attached hereto. The remaining sections will be developed and completed at later meetings of the Committee.

7. The Committee proposal embodies the following policies:

- a. The operating cost budget and preliminary cost estimates submissions date be set for no later than 1 May of each year.
- b. Budget requests for "over-ceiling" fund requirements to be submitted on a major component basis.
- c. The Operating Budget for Fiscal Year 1962 and the Preliminary Estimates for Fiscal Year 1963 will be on a cost basis with the provision for special schedules covering object classes 700, 800, 900, and 000 that would aid in developing obligation data. Obligations and costs are considered synonymous for all other object classes. The Budget Division will develop property obligations in coordination with the technically cognizant offices; i.e., Communications, Logistics, Medical, Technical Services Division, and the Office of Central Reference. The addition of the Office of Central Reference as a cognizant office is based on the fact that books and publications are budgeted as property and the Committee desired to keep the number of separate cost authorities to the minimum. This policy change will incorporate books and publications with other property to be budgeted for by the using office rather than the Office of Central Reference.
- d. The Budget Division will be responsible for converting the cost budgets to an obligation basis which will be reviewed by the Director in determining the obligation limitations for the external budget presentation for Fiscal Year 1963.

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The obligation requirements developed by the Budget Division will be coordinated with the Deputy Directors before submission to the Director.

- e. The Office of the Comptroller will issue cost reports that will provide data consistent with the levels submitted in the Operating Cost Budget for Fiscal Year 1962.
 - f. The Office of the Comptroller will conduct a working level educational and follow up program to insure maximum understanding and success of the cost program.
8. The Committee recommends the following:
- a. The policies outlined in paragraph 7. be adopted.
 - b. The attached Operating Cost Budget and Preliminary Cost Estimates format and procedure be adopted.
 - c. The organizational level for budgetary requirements be limited to the Operating Office level.
 - d. Three new sub-object classes be established as follows:
 - (1) Two for printing to distinguish between costs resulting from Agency print shop services and costs resulting from commercial printing services.
 - (2) One for books and publications in the 800 and/or 900 series.
 - e. The DD/P Area be exempted from the object class requirements of paragraph 3. c. of Section II of the attached procedure. However, the DD/P offices will submit the information for object class 600, Agency Printing, in the schedule of supplemental cost data, paragraph 3. d. of Section II. Committee discussion brought out the fact that object class data has not been used nor required in the past for the DD/P Area operating and preliminary budget considerations both within the Area and by the Comptroller. The other Areas found the data useful and desired to continue preparing it.
9. Since the external budget presentation for Fiscal Year 1963 will be on an obligation basis, the Committee recommends that it proceed with a study of the Fiscal Year 1962 Office Estimates requirements to

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assure the furnishing of needed data for Fiscal Year 1963 will be accomplished with the minimum of paperwork.

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FINANCIAL ADVISORY COMMITTEE



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